

In the Matter of the Restructuring of  
Milwaukee Mutual Insurance Company  
by Milwaukee Mutual Insurance Company and  
Unitrin, Inc.

PROPOSED DECISION

Case No. 01-C27045

Petitioners.

Guenther H. Ruch, Hearing Examiner, Presiding

APPEARANCES

For the Office of the

Commissioner of Insurance: Steven J. Junior, Senior Insurance Examiner  
Roger A. Peterson, Insurance Examiner Supervisor  
121 East Wilson Street  
Madison, Wisconsin 53702

For the Petitioners:

Daniel R. Doucette, President and Chief Executive Officer  
Milwaukee Mutual Insurance Company  
250 North Sunny Slope Road, Suite 250  
Brookfield, Wisconsin 53005

Joseph C. Branch  
Thomas R. Hrdlick  
Foley & Lardner  
777 East Wisconsin Avenue, Suite 3800  
Milwaukee, Wisconsin 53202-5367

Other appearances:

None

PRELIMINARY

Pursuant to a Notice of Hearings and Invitation for Public Comment dated February 20, 2003, a hearing was held at 1:00 p.m. on March 19, 2003, to determine whether the Petitioners' application for approval of their Second Amended and Restated Mutual Holding Company Plan (the "Plan") should be granted. Based on the record, the Hearing Examiner makes the following:

PROPOSED FINDINGS OF FACT

(1) Milwaukee Mutual Insurance Company, 250 North Sunny Slope Road, Suite 250, Brookfield, Wisconsin 53005, is a mutual insurance corporation organized and domiciled in Wisconsin (hereinafter also, "Milwaukee Mutual").

(2) Unitrin, Inc., One East Wacker Drive, Chicago, Illinois 60601 (hereinafter also, "Unitrin"), a holding company domiciled in Delaware, exercises control of Milwaukee Mutual Insurance Company, as "control" is defined by s. 600.03(13), Wis. Stat., through the operation of a plan of affiliation approved by OCI on September 21, 1995, which became effective on October 1, 1995.

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(3) Unitrin, Inc. prepared and made representations in support of the Plan orally and in writing.

(4) Based on its exercise of control over Milwaukee Mutual and its role in support of the Plan, Unitrin, Inc. is a co-petitioner with Milwaukee Mutual in this case No. 01-C27045.

(5) The Petitioners filed the Plan with the Office of the Commissioner of Insurance ("Commissioner"). The Plan includes, among other matters, the formation of a Wisconsin-domiciled mutual holding company to be known as Mutual Insurers Holding Company (hereinafter also, "MIHC") and conversion of Milwaukee Mutual into a stock insurance corporation to be known as Milwaukee Insurance Company.

(6) The Petitioners were served with a Notice of Hearings and Invitation for Public Comment dated February 20, 2003.

(7) The Petitioners fulfilled the filing requirements of s. 644.07, Wis. Stat.

(8) The Plan will not violate the law or be contrary to the interest of the insureds of Milwaukee Mutual Insurance Company or of the public.

(9) The Plan will not be unfair or inequitable to the policyholders of Milwaukee Mutual Insurance Company with respect to their membership interests or rights in surplus.

(10) The Plan would not be detrimental to the safety and soundness of the converting insurance company, Milwaukee Mutual Insurance Company, or to the contractual rights and reasonable expectations of its policyholders on the effective date of the restructuring.

(11) After implementation of the Plan, Milwaukee Insurance Company will be able to satisfy the requirements for the issuance of a license to write the lines of insurance for which it is presently licensed.

(12) The effect of the Plan will not be to create a monopoly or substantially to lessen competition in any type or line of insurance in Wisconsin.

(13) The Petitioners have no plans or proposals to liquidate Milwaukee Mutual Insurance Company following its conversion to a stock insurance company, to sell its assets (other than investment portfolio transactions in the ordinary course of business), to consolidate or merge it with any other person, or to make any other material change in its business, corporate structure, or management other than described in the Policyholder Information Statement that was approved on behalf of Wisconsin's Commissioner of Insurance and distributed to Milwaukee Mutual's policyholders.

(14) The competence and integrity of the persons who will control the operation of the restructured domestic stock insurance corporation, Milwaukee Insurance Company, and other entities in the succession of control of Milwaukee Insurance Company are such that it will

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be in the interest of the policyholders and the public to permit the restructuring, including the formation of a mutual holding company.

PROPOSED CONCLUSION OF LAW

(15) The proposed findings of fact set forth above establish that the requirements of chs. 227 and 644, Wis. Stats., have been satisfied and approval of the Plan should be granted.

(16) With the addition of certain conditions, the Plan does not violate the law, and is not unfair or inequitable to policyholders with respect to their membership interests, rights in surplus, or otherwise, nor is it contrary to the interests of policyholders or the public. The Plan is neither detrimental to the safety and soundness of the insurer nor the contractual rights and reasonable expectations of the persons who are policyholders, nor to the public interest.

PROPOSED ORDER

NOW, THEREFORE, based upon the findings of fact and conclusion of law, I hereby recommend that:

(17) The Petitioners' request for approval of the Plan, including the formation of a mutual holding company, should be approved, subject to the following conditions:

- a) Petitioners consent to an order issued by the Commissioner under s. 601.41, Wis. Stat., which shall, at a minimum, require that the Plan be implemented in accordance with its terms and the Stipulation and Order in Case No. 03-C28239.
- b) Mutual Insurers Holding Company shall consent to the same order to which the Petitioners consent pursuant to Section (17)(a) of this order.
- c) Milwaukee Mutual Insurance Company and its successors in interest shall ensure that voting procedures with respect to the Plan are in accordance with the voting protocol filed with the Wisconsin Commissioner of Insurance on February 20, 2003, or such other voting protocols as may be approved by Wisconsin Commissioner of Insurance. Milwaukee Mutual shall retain the services of a tabulation agent to assist it in the receipt, custody, safeguarding, verification and tabulation of proxy forms and ballots.
- d) Until the Plan is consummated, the OCI shall have the right to alter, suspend, or withdraw its approval should any material interim development warrant such action.
- e) Milwaukee Mutual and its successors in interest shall comply with the Plan as approved by the Commissioner herein.

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- f) The Plan may not be amended without the prior written consent of the Commissioner.

Dated at Madison, Wisconsin, this 27th day of March, 2003.

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Guenther H. Ruch  
Hearing Examiner